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IRDA Regulations

Infrastructure at par with government departments, regulators – Mint

The insurance regulator on Friday brought the definition of infrastructure at par with government departments and regulators in order to bring more sectors within the scope of the term and thus make them eligible for funding by insurers.

The regulator, however, did not take any decision on easing the investment limit for insurance companies.

"The investment committee, in a meeting today, has agreed to the proposal of aligning the definition of infrastructure with that of the cabinet committee on infrastructure," said R.K. Nair, member, Insurance Regulatory Development Authority (Irda).

"At present, the definition followed by Irda is the one that is being used by RBI (Reserve Bank of India). The government has been asking that the definition of infrastructure should be aligned with that approved by the cabinet committee," he said. "It will be notified by next week."

The government has been in talks with Irda and insurance companies to see how these long-term funds can be channelized into infrastructure. The investable corpus with Indian life insurance companies is around Rs.13 trillion, of which around 20% goes towards the infrastructure sector, as per industry estimates.

Insurance regulations currently restrict insurers from buying more than a 10% stake in any listed firm. In infrastructure firms, however, their holding in the form of both debt and equity can go up to 20%.

The Planning Commission has projected an investment of \$1 trillion for infrastructure development in the 12th Five-Year Plan period (2012-17).

Banks are now the main source of funding for these projects. Asset-liability mismatches, however, make insurance and pension funds a more viable alternative for infrastructure financing.

The move to streamline the definition will help reduce ambiguity, said Abhijit Gulanikar, chief investment officer of

SBI Life Insurance. "More than increasing the number of sectors under infrastructure, it will help reduce the confusion as different government departments and regulators follow different definitions," he said.

In a meeting on Wednesday attended by finance minister P. Chidambaram, financial services secretary D.K. Mittal and Irda chairman J. Hari Narayan, the government pushed for faster approvals for products, improving penetration and developing low-cost product structures. The government demanded that there should be around 10 simple products that should come under the "use and file" category.

The regulator is considering these proposals, said another Irda official, who did not want to be identified.

On its part, the government is likely to announce tax breaks on insurance products to make them more attractive. After taking over as finance minister in August, Chidambaram has been stressing the need to push the insurance and mutual fund industry as a channel for household savings.

Source –

<http://origin-www.livemint.com/Politics/FvJ3GVmWcszoGuYPrzFBIN/Infrastructure-at-par-with-government-departments-regulator.html>

IRDA working on 10 standard insurance products - The financial Express

Sector regulator IRDA today said it will develop 10 standard products in consultation with industry bodies which can be launched by the insurance companies without seeking regulatory nod.

"For 10 products we will try and work (to develop standard products). We will have to work closely with Life Insurance Council and General Insurance Council to see if we can develop such products," Insurance Regulatory and Development Authority (IRDA) Chairman J Hari Narayan said.

Earlier this week, Finance Minister P Chidambaram had said that the IRDA will come out with a policy to accord automatic clearance to the standard life insurance products.

"Use and File system may be introduced. IRDA, in consultation with insurers, will identify or design certain standard products which can be used by the industry under Use and File system, if the insurance company complies with the conditions attached to the standard product," Chidambaram had said.

Hari Narayan said that the persistence level is very low in the insurance industry and there was a need to bring in complete understanding of the market and insurance companies. Persistence level refers to client retention by insurance companies.

He said 'Use and File' would not be in the general interest of the policyholders since persistence ratio is high.

"The point is, the insurance industry requires to stabilise, they have to mature in their approach and I would say they are getting there but there is still some distance to go and in that context what we have agreed is that the regulator and the insurance industry will design jointly say about 10 products," Hari Narayan said.

To another query on allowing insurance companies to invest beyond 10 per cent in debenture and equity, he said: "One of the recommendations which is there in the amendment bill, which is in the consideration of Parliament, is that matters regarding the pattern should not be encased in the bill but should be managed by regulation by the authority".

Source –

<http://www.financialexpress.com/news/irda-working-on-10-standard-insurance-products/1011382/0>

Irdra favours hike in FDI ceiling for insurance sector to 49% - The Economic times

Insurance regulator Irdra today favoured increase in foreign direct investment in the sector to 49 per cent, saying it requires big investments for growth.

"Absolutely (in favour of hike in FDI limit). I do think unless we go for 49 per cent, we will not have the kind of capital required to underpin the growth of insurance industry," Insurance Regulatory and Development Authority (Irdra) Chairman J Hari Narayan said on the sidelines of a CII event here.

"This sector requires lot of money, so unless we enable inflow... Look at it, in banks it (FDI) is 74 per cent. In Asset Management Companies, 100 per cent. I do not see why, in insurance companies, it should be 26 per cent. We should increase that," he said. Foreign Direct Investment (FDI) in the insurance sector is capped at 26 per cent.

With the government taking policy reform initiatives last week, especially allowing FDI in multi-brand retail and aviation sectors, there is expectation that the limit for the insurance industry may be raised as well.

However, the recent decision led to political uncertainty with Trinamool Congress, a key ally of the UPA, quitting the government.

The Insurance Laws (Amendment) Bill has been pending before Parliament for about 4 years as there has been no consensus among political parties on the issue of raising the FDI limit to 49 per cent.

Following pressure from key allies, the government in May this year had postponed a decision on raising the FDI limit in the insurance sector to 49 per cent.

The Insurance Bill, which was tabled in the Rajya Sabha in 2008, proposed to increase the FDI limit in the insurance sector to 49 per cent, but Parliamentary Standing Committee on Finance wanted it to be retained at the current level of 26 per cent.

Source –

<http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/irda-favours-hike-in-fdi-ceiling-for-insurance-sector-to-49/articleshow/16653404.cms>

Life Insurance

Insurance council inks MOC with German Insurance Association – Business Standard

Life Insurance Council, the industry body of all life insurance companies in India today signed a Memorandum of Cooperation with German Insurance Association, (Gesamtverband der Deutschen Versicherungswirtschaft e.V.).

The memorandum has been signed to promote a cooperative relationship and mutual understanding between the two insurance industry bodies. This would act as a platform for exchanging information, discussing matters and activities of common interest pertaining to the Insurance industry, said a press release by the Life Insurance Council.

V. Manickam, Secretary General Life Insurance Council, said, "Our association with GDV would be beneficial to the life insurance industry in India as it is still in its developing stages. We hope to adopt the best practices in respective countries, in our effort to reach out to all sections of the globe to spread life insurance awareness."

The industry bodies will conduct employee exchange programs, through which representatives from Life Insurance Council and German Insurance Association will visit each other's country.

Rolf-Peter Hoenen, President German Insurance Association said, "The memorandum will allow contribution of joint research and study activities and setting up of regional offices. This will increase the support and strengthen not just our association but our member companies as well."

Source –

<http://www.business-standard.com/india/news/life-insurance-council-ties-up-german-insurance-association/188953/on>

Health Insurance

Health insurance doesn't strike a chord with urban india – Mint

In the fifth part of the Indian Financial Scape survey, conducted by Delhi-based economics research firm Indicus Analytics, to track patterns of financial asset ownership of urban India, we look at health insurance ownership. Data shows that urban Indians in the lower income group are very unlikely to buy health insurance policies. In fact, in the income group of below Rs75,000, fewer than 2% of the households in the southern part of the country buy mediclaim. It is also noteworthy that even in the highest income group of Rs1 crore and above, a basic insurance product like medical cover is only owned by just half the households. The data is split across income groups and regional variations. At least 35,000 households were surveyed across urban India in over the period April-June 2012. At the end of nine weeks, the survey will reveal what drives financial asset ownership in urban India.

Key takeaways:

The pan-India ownership of health insurance policy by households is low as 26%.

In the lowest income group of below Rs75,000, the average ownership is below 2%.

The Rs1 crore-plus income household in western India is the most savvy with about half the households having medical cover.

source –

<http://origin-www.livemint.com/Money/bUOFRGP8uELx2csH639BSN/Health-insurance-doesnt-strike-a-chord-with-urban-india.html>

Country lacks effective regulatory system, says irda chief - The Indian Express

Insurance Regulatory Development Authority (IRDA) Chairman J Harinarayan today pitched for an effective system of regulation and management of the medical care industry.

"The other area which we are concerned about is price system (in providing health care). India does not really have a very effective system for regulation and management of the medical care industry. It is something which is needed..", he said at a seminar here.

He said he would be happy if the concept of regulating the health care industry was considered by Parliament or state governments.

Talking about a host of issues related to health insurance sector at a seminar, organised by Consumer Association of India, he praised state governments run health insurance, saying they were "remarkably successful".

"It has been remarkably successful. This kind of sophistication, this kind of financial support you (people below the poverty line) get, is tremendous.", he said.

Giving some statistics on insurance industry, he said in India about 9.5 crore people are covered through insurance every year raising a premium of Rs 13,500 crore. "Premiums are very low in India, compared to international standards".

Harinarayan said health and motor segments formed a major chunk of insurance industry. He said compared to last year (23 per cent), the health insurance sector grew by 33 per cent during the first six months of this year.

Referring to the feasibility of an individual holding a long term health policy, he said there were some fundamental problems in offering long term health protection.

"It is difficult for the insurance company. They may be underpricing it or over pricing it. They are not long term health policy. They work like savings policy. It is like a savings account. It is not really insurance. But we need to look at it," he said.

Source –

<http://www.indianexpress.com/news/better-regulation-for-health-care-industry-needed-irda/1009720/0>

General Insurance

Severe penal action for refusal of third party motor insurance: irda - The Financial Express

Insurance regulator IRDA today said "severe" penal action will be taken against those general insurance companies refusing third party motor insurance.

"Some companies are also declining third party insurance. They will find it not in their best interest to do so because if companies do not abide by the rules we have laid down such companies will be visited by very severe penalties which will be more onerous than the business they are foregone," IRDA Chairman J Hari Narayan said on the sidelines of a CII event here.

Third party motor insurance provides cover mainly pedestrians, fare-paying and non fare paying passengers in a vehicle.

Private sector insurers try to avoid writing such policies because of the high claim ratio in the commercial vehicle space. This leads to the public sector companies being hit the most.

Recently, IRDA came out with guidelines for implementation of declined risk pool system. The regulator has laid down a method for transferring risks to the newly formed declined risk pool for third-party motor policies.

As per the guidelines, the declined risk pool would apply to commercial vehicles for standalone third-party liability insurance and no comprehensive motor insurance policy can be settled from the pool.

The size of the pool is likely to shrink to a quarter because of the comprehensive policy going out of the ambit of the pool.

Source –

<http://www.financialexpress.com/news/severe-penal-action-for-refusal-of-third-party-motor-insurance-irda/1011379/0>

IRDA to issue IPO guidelines in 2 weeks - Hindustan Times

The Insurance Regulatory and Development Authority (IRDA) is set to issue final guidelines for initial public offerings (IPOs) of general insurance companies in the next couple of weeks. "The insurance advisory committee had a look at the recommendations. It should be out within the next two weeks," J Hari Narayan, chairman, IRDA, said on the sidelines of an event organised by the Confederation of Indian Industry (CII) here.

The draft guidelines on the same, issued last month, stated that only those general insurance companies which have been in operation for at least 10 years would be allowed to visit the capital market with prior approval from the sector regulator.

The insurance regulator also said that the guidelines would be issued to prevent insurance companies from arbitrarily increasing renewal premiums on health policies under which benefits had been claimed previously.

"We have seen that if a party makes a claim in a given year, it is likely that the insurance company may increase that party's premium because a claim has been made," Hari Narayan said.

Source -

<http://www.hindustantimes.com/News-Feed/BusinessBankingInsurance/IRDA-to-issue-IPO-guidelines-in-2-weeks/Article1-939502.aspx>

Survey & Reports

Millions of UK motorists drive without insurance, says report

Millions of UK motorists have run the risk of penalty points, a fine or a driving ban after driving without insurance, the latest research by LV= has revealed.

The survey found that 2.2 million motorists have driven without insurance, with the majority (1.8 million) mistakenly believing they were insured at the time.

The number of motorists borrowing cars rose by 14% last year despite facing fines of up to £5,000 if caught by the police, up to eight points on their license and, in some circumstances, an instant driving ban.

According to official police data obtained under a freedom of information request from LV= car insurance, 22,000 drivers have been caught using a vehicle that was uninsured and been awarded penalty points in the past six months, yet this is just the tip of the iceberg as motorists driving friends' or relatives' cars without insurance goes mostly undetected.

One in six (18%) motorists have lent their car to someone else and, of these, almost a fifth (19%) believed a valid insurance was in place when there wasn't, and a further 4% did not care that the driver was not insured.

Almost half (47%) of car lenders who are committing a crime by lending their car to an uninsured driver say they lend their vehicle at least once a month. Of these, a quarter (28%) lend their car to an uninsured son or daughter, and 15% to a flatmate.

About four in 10 (44%) drivers say they would lend their car to a friend who is not insured to drive it, regardless of the law.

LV= managing director John O'Roarke said: "Thousands of motorists lend their cars to others and don't realise they are not insured to drive them. If someone has driven your car without insurance, and with your permission, you could face a fine and up to eight points for permitting a vehicle to be on a public road without an insurance policy being in force.

"The root of the problem is that many drivers assume that by having comprehensive insurance on their own vehicle, they are automatically covered to drive other vehicles – but this is not always the case. Some policies offer no cover at all, some offer third party only, meaning in the event of an accident where the car borrower was at fault there would be no payment for any damage to the vehicle. We would advise drivers who are lending out their car to add the car-borrower to their insurance policy as a named driver to ensure there is valid insurance in place."

Source –

<http://www.insurancetimes.co.uk/millions-of-uk-motorists-drive-without-insurance-says-report/1398930.article>

IAIS releases first ever Global Insurance Market Report

The International Association of Insurance Supervisors (IAIS) today released its first-ever Global Insurance Market Report, or GIMAR. Building on years of experience developed through publication of the Global Reinsurance Market Report, the GIMAR documents the performance of primary insurers and reinsurers as well as key developments in the global insurance market.

"As the global insurance standard setter, the IAIS and its Members – who represent almost 200 insurance supervisory authorities – are committed to promoting effective and globally consistent supervision and contributing to global financial stability," said Peter Braumüller, Chair of the IAIS Executive Committee. "We are glad to add the GIMAR to the list of tools available to our Members and to other parties interested in a full and thorough understanding of the global insurance marketplace."

The GIMAR combines an analysis of publicly available data and confidential data submitted by global reinsurers and covers a period between 2007 and 2011. The report shows that global primary insurers and reinsurers have been affected by the financial crisis and by the subsequent recession in many economies around the world. However, the data also shows that the industry has been resilient in the face of adverse developments. For example, the primary insurers and reinsurers surveyed in the GIMAR data-set achieved sizeable performance improvements after the sharp downturn in 2008 and at the end of 2011 they appear to be better capitalised than at the beginning of the financial crisis.

The industry's resilience is also documented in the chapter on reinsurance that specifically looks into the sector's development during and after two major natural catastrophe episodes in 2005 and 2011. The data reveals the reinsurance sector to have absorbed record-high losses in 2011 with a smaller impact on equity capital than in 2005, the former record-setting year with respect to natural catastrophes.

The GIMAR approximates overall industry performance through a sample of 20 globally active insurers and reinsurers, as well as confidential data collected from 48 large global reinsurers. The IAIS expects to increase the report's sample size in future issues of GIMAR, which are currently scheduled to be released twice yearly beginning next spring.

Source –

<http://www.theasianbanker.com/updates?&docid=0008117095031277%20326082608>

A.M. Best Special Report: Political Unrest Overshadows MENA's Strong Insurance Demand

The insurance, reinsurance, Takaful and cooperative markets within the Middle East and North Africa (MENA) continue to offer opportunity for growth, although the global slowdown of financial markets and political instability in the region threaten to dampen prospects for some companies, according to a new report from A.M. Best Co.

Whilst the MENA insurance markets have experienced double-digit premium growth in recent years, the pace of growth has

slowed in 2011 and 2012, with most markets expected to achieve increases in total gross premiums written (GPW) of less than 5% this year. Movements in GPW have been more pronounced in countries affected by the Arab Spring where growth has either declined or stagnated in 2011, with difficult trading conditions in 2012.

Mahesh Mistry, associate director, analytics, said, "Competition in the MENA markets remains fierce, as a number of companies seek topline growth, and increasing market share is a priority. This has been exacerbated in recent years by the increasing number of new entrants into the market."

The report, "Political Unrest Overshadows MENA's Strong Insurance Demand", found leading insurers have attempted to restructure their operations and achieve a profile more commensurate to their international peers. A number of companies have adopted a more prudent investment policy—de-risking from volatile asset classes such as equities and real estate, with a shift toward a more liquid investment portfolio—which should generate a steady income stream to supplement underwriting activities. In addition, regulators' actions to introduce stricter guidelines should expedite requirements for a more prudent allocation of investments.

Yvette Essen, report author and director of industry research, Europe and emerging markets, said, "The MENA insurance markets tend to be immature, with very low penetration rates compared to more developed international markets. There is greater demand for insurance as the awareness of the benefits of insurance grows and regulators encourage its take-up with the introduction of compulsory lines of business." She adds, "Obligatory medical schemes are considered to present the greatest opportunities in the region, although they remain fiercely competitive and need to be controlled to produce profitable growth."

Source –

<http://finance.yahoo.com/news/m-best-special-report-political-050000195.html>

Global News

Australia

Taxes on non-life policies could be abolished in two years, says ICA

The Insurance Council of Australia (ICA) said that taxes on general insurance policies could be abolished in just over two years, adding that the federal and state governments were taking necessary steps towards reforming taxes, and state levies on insurance and stamp duties will be eliminated by 2015, reported Insurance News Australia.

The ICA said that taxes and duties added considerably to the cost of a basic premium.

It added that the federal government should consider implementing a national exemption free payroll tax administered through the Business Activity Statement (BAS) to fund the National Disaster Insurance Scheme.

source –

<http://asiainsurancereview.com/News/ViewNewsLetterArticle.aspx?id=16103&Type=eDaily>

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